

Office of Legislative Auditor

**Department of Public Safety and Corrections,
Corrections Services**



Information Report

April 2006

Off-Budget Funds and Prison Enterprises

The information contained in this report was developed as a result of a performance audit we initiated but did not complete of the Department of Public Safety and Corrections, Corrections Services. Because of the impact hurricanes Katrina and Rita had on the department's daily operations, the performance auditors were not able to conduct all necessary tests and analyses necessary to complete their audit. Although an audit was not performed, the Financial Audit Division prepared this information report from Corrections Services' records to assist in answering certain performance objectives as follows:

- The off-budget revenue accounts identified at Corrections Services are inmate banking funds, centralized inmate welfare funds, inmate organization funds, and Angola Rodeo funds.
- Corrections Services reported a cash balance for those off-budget accounts totaling \$4,147,728 at June 30, 2004. For the year ended June 30, 2004, those off-budget accounts had receipts and disbursements of \$19,220,859, and \$19,921,345, respectively.
- The costs of the salaries, supplies, and bank charges of the Centralized Inmate Banking account are paid by the inmate welfare account.
- For the period from July 1, 2004, through January 30, 2005, Corrections Services reported that Prison Enterprises had sales of \$12,293,890 and net loss of (\$980,118) for its various activities during the period.

I hope this information will benefit you in your decision-making process.

Sincerely,

Steve J. Theriot, CPA
Legislative Auditor

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BACKGROUND

We gathered information and performed certain tests, the objectives of which were:

1. To identify off-budget accounts at Corrections Services and the department's oversight mechanisms in place for those accounts
2. To identify the amount of actual revenues and expenditures of the off-budget funds
3. To determine whether these off-budget funds are incurring other cost to Corrections Services that is not offset by fund revenues
4. To identify the profit and loss by function for Prison Enterprises

Off-Budget Accounts and the Oversight Mechanisms

The off-budget revenue accounts identified at Corrections Services are inmate banking funds, centralized inmate welfare funds, inmate organization funds, and Angola Rodeo funds.

Department regulation B-09-003 establishes policies and procedures for handling inmate banking transactions including the receipt, expense, and final disposition of inmate funds. Individual facilities' controls may vary to some extent within the guidelines established by this regulation. We tested two days' transactions at Louisiana State Penitentiary (LSP) at Angola to determine if controls were implemented and operating properly over the receipt of inmate funds; entering receipts properly in the accounting records; depositing receipts timely; and using receipt books properly. In addition, we performed procedures at Corrections Services Headquarters to determine whether inmate banking account transactions were being reconciled timely and that transfers from the facilities' banks were accurate and complete. As a result of the procedures performed, we found that the receipt forms for collections on the inmate banking account were not always issued in sequential number order.

Department regulation B-09-002 establishes policies and procedures over welfare funds. Corrections Services Headquarters maintains an off-budget Centralized Inmate Welfare Fund (CIW) that is funded from abandoned property in the form of legal tender and interest earned on the centralized inmate banking account. Department regulation B-08-006 establishes policies and procedures for each facility to follow regarding inmate organizations. Each organization must establish bylaws and a statement of the organization's purpose, philosophy, and objectives. Additions to the fund are generated through sales, dues, and donations. Expenses are paid from the monies collected. Through observation and inquiry, we gained an understanding of the controls over CIW and inmate organization funds and no findings were noted.

Angola Rodeo funds also do not go through the budget process. The proceeds from the rodeo cover rodeo expenses and supplement the inmate welfare funds that provide for inmate educational and recreational activities. Receipts from sales, donations, advertisements, and interest income go into the fund. Expenses include costs to run the rodeo and payments of donated funds for their intended purposes. We performed observations and inquiries to obtain an understanding of the controls on the additions and deductions of the fund. We tested nine transactions that were processed through the system, and we reviewed the reconciliation process. Inadequate separation of incompatible duties existed on ticket sales, and inadequate controls existed for reconciling credit card receipts to hobby craft sales at the rodeos. A finding on these issues was included in the auditor's financial management letter issued on April 12, 2006.

Actual Revenues and Expenditures of Off-Budget Funds

The following information (unaudited) was compiled from the June 30, 2004, Annual Financial Reports (Agency Funds schedule) of the individual correctional facilities and other Corrections Services' budget units:

	Beginning Fiscal Year 04 Cash Balance	Additions	Deductions	Ending Fiscal Year 04 Cash Balance
Centralized Inmate Banking Account	\$2,834,464	\$16,555,204	\$16,707,187	\$2,682,481
Centralized Inmate Welfare Funds	1,513,243	55,515	690,630	878,128
Inmate Organization Funds	292,325	1,684,428	1,684,464	292,289
Angola Rodeo Fund	208,182	925,712	839,064	294,830

Costs Not Offset by Fund Revenues

In our review of the off-budget accounts, we did not find that the operations of those accounts required additional state funding. However, we found that the costs of the salaries, supplies, and bank charges of the Centralized Inmate Banking account are funded and paid by the inmate welfare account.

Profit and Loss by Function for Prison Enterprises

We obtained from management the following year-to-date sales figures and profit/loss figures (unaudited) for Prison Enterprises by function for July 1, 2004, through January 30, 2005.

Enterprise	Sales	Net Income (Loss)
Hunt Soap Plant	\$642,133	\$90,831
Tag Plant	392,274	(116,003)
Silk Screen Shop	137,917	(2,151)
Baton Rouge Janitorial	751,849	108,337
PCC Garment Factory	674,874	79,941
Winn Garment Factory	594,942	102,147
Metal Fabrication	328,183	(20,291)
PIE Metal Fab	19,101	(18,239)
Mattress, Mop and Broom	491,245	72,166
Print Shop	213,351	(44,402)
Allen Furniture	248,861	(104,987)
LCIW Garment Factory	184,430	(55,485)
DCI Chair Plant	167,279	(37,941)
DCI Embroidery	42,039	(8,530)
Mailout Program	33,213	14,264
TOTAL INDUSTRIES	\$4,921,691	\$59,657

Schedule continued on following page.

Enterprise	Sales	Net Income (Loss)
Swinery	\$282,102	(\$70,740)
DCI Replacement Heifers	109,272	35,978
Allen Rangeherd	-	-
LSP Rangeherd	395,630	(106,794)
Hunt Rangeherd	185,410	48,903
PCC Rangeherd	1,946	(7,056)
JCCY Rangeherd	-	(1,957)
SCCY Rangeherd	-	(9,423)
Avoyelles Rangeherd	-	(16,227)
Wade Rangeherd	5,896	(10,181)
LSP Corn	236,948	(77,481)
Cotton	-	25,165
Soybeans	199,347	(331,325)
Wheat	-	3,749
LSP Vegetables	-	(36,221)
Land & Timber Management	122,772	52,200
LSP Orchard	-	(14)
DCI Orchard	2,708	2,708
DCI Vegetables	-	(7,128)
LSP Vegetable Processing	6,433	418
Flight Bird Production	12,270	(310)
TOTAL AGRICULTURE	\$1,560,734	(\$505,736)
Canteen Distribution Center	\$3,748,298	\$79,424
Wakefield Meat Plant	2,063,167	47,373
TOTAL RETAIL	\$5,811,465	\$126,797
Adjustments		
Winn Pie Program	-	\$2,400
Transportation (Interdepartmental Sales)	-	(104,196)
TOTAL ADJUSTMENTS	-	(\$101,796)
DOC Incentive Pay to Inmates	-	(\$559,040)
TOTAL PRISON ENTERPRISES	\$12,293,890	(\$980,118)

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Need more information?

Contact Steve J. Theriot, Louisiana Legislative Auditor
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A copy of this report is available on our Web site at www.la.state.la.us.

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